ALBERTA MUNICIPAL AFFAIRS

Assessment Audit Unit, Assessment Services

Detailed Assessment Audit Manual

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1.0 Interpretation

In this Manual,

(a) "Act" or "MGA" means the *Municipal Government Act*;

(b) "AMA" or "department" means Alberta Municipal Affairs;

(c) "ASR" means an assessment to sale ratio;

(d) "assessment year" has the meaning given in the Regulation;

(e) "ASSET" is an acronym for Assessment Shared Services Environment, an Internet-based application and database of liability codes, assessment and sales information for use by municipalities and the Government of Alberta;

(f) "auditor" has the meaning given in the Guidelines;

(g) "CAMA system" means Computer Assisted Mass Appraisal system;

(h) "Guidelines" means the Alberta Assessment Quality Minister's Guidelines;

(i) "IAAO" is an acronym for the International Association of Assessing Officers;

(j) "Manual" means the Detailed Assessment Audit Manual;

(k) "regulated property" has the meaning given in the Regulation, and for the purposes of a detailed assessment audit, excludes linear property;

(l) "Regulation" means the Matters Relating To Assessment and Taxation Regulation (AR 289/99), as amended.

2.0 Detailed Assessment Audit Program

2.1 PURPOSE OF THE DETAILED ASSESSMENT AUDIT MANUAL

The Detailed Assessment Audit Manual's primary use is in conjunction with a ***scheduled*** detailed assessment audit. Scheduled detailed assessment audits are conducted in every municipality on a five-year cycle to monitor whether assessments are prepared in accordance with legislation and regulations, and consistently in relation to other municipalities. The Assessment Services Branch of Alberta Municipal Affairs administers the scheduled detailed audit program.

The manual outlines what is expected of the municipality, what procedures will be used to perform the scheduled detailed audit, and what the municipality can expect upon completion of the audit. Although the primary use for the manual is scheduled detailed audits, the manual may also be used, in whole or in part, as a guide for an inspection or an audit of any matter related to assessment.

2.2 DETAILED ASSESSMENT AUDIT PROGRAM OVERVIEW

A detailed assessment audit combines the factual, results-oriented ratio study with the more investigative, process-oriented procedural audit to determine if assessments meet acceptable standards. Each of these following components plays a major role:

- procedural audit, which examines assessment methods and procedures, and
- ratio studies and statistical tests of market value properties.

Procedural audits focus on how assessments are prepared and determine whether legislation requirements are met, valuation regulations are adhered to, appropriate manuals are used, and professional standards and guidelines are followed. The detailed audit includes an in-depth statistical analysis by property groups (analysis categories) and sub-groups (market areas) to develop a greater understanding of assessment performance than can be gained from the ratio studies performed in the annual audit program.

Ratio studies use statistical analysis of assessment and sales data as direct evidence of valuation accuracy and uniformity of properties assessed at market value. Ratio studies serve as the primary tool for the objective evaluation and measurement of mass appraisal performance.

2.2.1 Objective

A detailed assessment audit provides an unbiased opinion of the quality of a municipality's assessment roll (based upon a review of audit procedures, legislation and best practice references) and it also provides a means to make recommendations for improvement.

Questions addressed by a detailed audit include:

- Are assessments of property prepared using the market value standard fair and equitable?
- Are assessments of regulated property prepared according to the Minister's Guidelines Regarding the Assessment of Farm Land, Linear Property, Machinery and Equipment, and Railway?
- Has the municipality and its designated assessor complied with legislation?
- Were assessment administration and valuation best practices followed?

2.2.2 Scope of Scheduled Detailed Assessment Audits

Scheduled detailed assessment audits review all property types in a municipality except for linear property. The Assessment Services Branch prepares assessments for linear property on behalf of the Minister of Municipal Affairs.

The department's auditors review the municipality's assessment policies and procedures, and investigate a sample of properties. Sampling is used because it is neither financially feasible nor logistically possible to review all the properties in a municipality in detail. As such, the scope of a detailed audit is not intended to review all the properties in the municipality.

Nonetheless, detailed audits serve as a comprehensive review of the quality of a municipality's assessment roll. Each municipality will undergo a scheduled detailed audit at least once during a five-year cycle; however, a scheduled detailed audit might be performed more than once in five years for the following reasons:

- based on the recommendation from an annual audit,
- based on the findings of a follow-up audit to a detailed audit, or
- on the Minister's initiative.

2.2.3 Process

The department has an objective to conduct a detailed assessment audit for every municipality in the province on a five-year cycle. The audits for any given year generally occur between April 1 of one year and March 31 of the following year. The scheduled detailed assessment audit process is comprised of several phases:

1. Municipalities for the applicable year of the five-year cycle are notified of the pending audit, and the auditor requests the information. A municipality may receive the notification of the audit and the request for information prior to April 1 in the year its audit is scheduled for.

2. The auditor has a preliminary meeting with the assessor and the Chief Administrative Officer of the municipality.

3. The auditor performs a detailed review of municipal assessment procedures and interviews municipal officials and the assessor(s). The auditor also inspects a sample of properties, and performs ratio studies as warranted.

4. The audit report is drafted and reviewed with the assessor and the Chief Administrative Officer of the municipality. The assessor and the Chief Administrative Officer are asked to respond to the audit by describing, directly in the report, the actions that will be taken to address the recommendations resulting from the audit.

5. The report is sent to the Deputy Minister and then to the municipality.

6. A follow-up audit is conducted, usually in the following year.

2.2.4 Required Information

The auditor requires specific information for the purposes of a detailed audit. The required information is described in this section and the Recording and Reporting Information for Assessment Audits and Equalized Assessment manual. The auditor may also request additional information, or request that information be provided in a specific form or manner, so that the audit can be completed in accordance with this manual, or that the objectives of an audit or an inspection can be met.

The auditor will notify the municipality or its assessor whether any of the required information has been reported to the department through other means, such as the ASSET system. In some cases, information may be provided through an interview with the assessor or a municipal official.

The following information that must be provided to the auditor includes, but is not limited to:

1. An electronic download of the assessment roll. (Note: the assessor may have already provided this information to the department through ASSET.)

2. A copy of the current assessment work plan and/or assessment contract that covers the work performed in an assessment cycle, such as a reinspection plan for all types of property found in the municipality.

3. A list of properties with development permits or building permits in the assessment year. The list should include the permit value and the reason for the permit.

4. A copy of the bylaw that establishes the position of assessor as a designated officer.

5. A copy of the municipality's assessment notice or combined assessment/tax notice, and any inserts sent with the notice that explain assessments or the complaint process.

6. A download of property details for **all** properties on the assessment roll in the same form that the information is required to be provided for the annual audit program. (Note: the assessor may have already provided this information to the department through ASSET.)

7. An explanation of the functions and capabilities of the Computer Assisted Mass Appraisal (CAMA) system used by the assessor.

8. A copy of the annual reassessment book or brief that is the basis of preparing assessments for the current assessment roll. (Note: the typical contents of a re-assessment book are shown in the *Property Assessment in Alberta Handbook*.) This information includes the following:

    - map(s) that show the valuation zones or market areas of residential and non-residential properties in the municipality.
    - a description of the methods used, such as manuals and surveys, to collect and maintain information about all types of property.
    - an explanation of how the assessment of property in the municipality is prepared, including the analysis of market information, the ratio studies performed, the conclusions that are reached, the valuation models used, and the method of updating values.

9. An explanation of the process used to record land titles transfer information and other sales information, and an outline of the process used to verify the information and document the findings.

10. Copies of property records and assessment calculation details for a sample of properties in the municipality. (Note: the auditor will identify the properties.)

11. An explanation of the internal quality assurance methods used by the assessor, including samples of ratio studies performed.

2.2.5 Date Information is to be Reported by

Following the notification of the audit being sent to a municipality, the auditor will contact the Chief Administrative Officer and the assessor to establish dates for receiving the required information and, as necessary, for any subsequent requests for information. The date(s) by which the information must be reported may vary depending on the reason for the audit, or when the auditor plans to commence the audit for a particular municipality within the annual schedule.

2.2.6 Legislation, Regulations, Guidelines, and Adoption of Best Practices

Assessment quality standards and measures are contained in legislation, regulations, guidelines, and industry standard and best practice references.

The Act, the regulations and the guidelines prescribe specific standards for preparing assessments in Alberta. The legislation also outlines the procedures and methods to be used to administer the assessment process, and forms the basis for evaluating whether or not a municipality's assessment is in compliance with the Act.

A number of industry and professional standards respecting best assessment practices have been adopted in Alberta because they contribute to a high-quality assessment program. For example, the *Property Assessment in Alberta Handbook* presents current mass appraisal knowledge on best practices and sets out preferred approaches to value, valuation models, and benchmarks (termed "valuation parameters") for selected property types.

Other best practices adopted for Alberta follow those established by the International Association of Assessing Officers (IAAO), which is widely recognized as an authority on property assessment administration. The IAAO textbooks, *Property Appraisal and Assessment Administration* (1990) and *Mass Appraisal of Real Property* (1999), and its series on *Assessment Standards* present theory as well as practical advice on all aspects of real property assessment administration, and they provide examples of good assessment practices. The IAAO *Assessment Standards* represent the consensus of the assessment profession on technical and administrative issues.

Municipalities can reasonably be expected to meet most of the best practice standards even though they are not specifically expressed in legislation. The priority of recommendations made from an audit with respect to best practices depends on whether

there may be a direct effect on the quality of assessments, and/or whether action should be taken by the municipality to address the recommendations within the upcoming assessment year or over a reasonable period of time.

2.2.7 Audit Topics, Tasks and Standards

The scheduled detailed assessment audit divides the assessment process into a number of topics. For each topic, there is one or more task for which a standard is established. The auditor reviews the task in relation to the standard.

A task and its respective standard are identified as "required, desirable, or information only." In the manual the standard for each task is described in detail, except for tasks designated as information only.

For each required task or desirable task, the auditor will apply one or more test to determine if the standard is met. Some tests simply determine whether or not a document or condition exists. Other tests require judgement by the auditor or involve measures, based on samples.

Required Standards

Standards that are required to be met appear in two forms:

1. required by legislation or regulations – standards that are specifically expressed in the Act or the regulations, and

2. required by best practice – standards that are not specifically expressed in the Act or the regulations, but municipalities in Alberta can reasonably be expected to meet these standards.

Note: The applicability of some best practice standards depend on conditions within the municipality. Whereas a large municipality may have to devote considerable resources to meet a particular standard, good habits may suffice in a small municipality.

Desirable Standards

These best practice standards are considered to contribute to a high quality assessment program, but they may not be applicable in some instances, or the use of other methods may be acceptable without affecting the quality of assessments. A municipality may weigh the costs and benefits of a desirable best practice before deciding to implement it.

Note: The department may introduce a best practice into the manual as a desirable standard, and over time the best practice may become a required standard.

Information Only

These items do not usually have a direct bearing on the quality of assessments, but are gathered to compare information with subsequent audits, or with similar sizes and types of municipalities.

2.2.8 Conclusions and Recommendations

Conclusions

Following a review of each topic, the auditor will make a conclusion based on his/her findings relative to the respective tasks and standards for the topic. The conclusion for a topic will be summarized in the following manner:

Exceeds All of the standards for the required tasks were met and one or more of the following was found:

1. all of the standards for the desirable tasks were met, or
2. the standards for some of the required tasks were clearly exceeded, or
3. the assessor used innovative approaches to achieve the standards.

Meets All of the standards for the required tasks were met and the standards for some of the desirable tasks were met.

Action Required One or more standards for the required tasks were not met.

Not Applicable The topic does not apply to property in the municipality.

It is possible to meet most procedural standards yet prepare assessments that do not meet assessment level and uniformity standards. It is also possible to produce good ratio study results without meeting all procedural standards. If the evaluation of assessment quality is not possible through ratio studies because of limited market information, local assessments may be presumed to be acceptable if best practice procedures and standards are followed.

Where sufficient data exists to be statistically reliable, more weight will be placed on the ratio study standards to evaluate the quality of the assessments. Where there is limited data, more weight will be placed on the procedural standards. In some municipalities, improved non-residential properties present the greatest audit challenge because there is usually only limited data within the municipality. In such cases, the auditor may use information from neighbouring municipalities in the audit.

The table titled *Findings and Conclusion* that follows each topic (these tables are found later in the manual) summarizes the approach of the detailed audit, and how the information and findings will appear in the report.

Recommendations

Based on the findings and conclusions of the audit, the auditor may make recommendations. The priority of recommendations (high, medium or low) depends on whether there may be a direct affect on the quality of assessments, and/or whether the municipality should take action to address the recommendations in the current tax year, for the upcoming tax year, or over a reasonable period of time.

Recommendations will always appear if the auditor's conclusion is *"Action Required"* because it indicates that a required task did not meet the standard.

Note: The auditor may also make occasional recommendations to improve the methods or procedures used by the assessor for either required or desirable tasks, even though the conclusion *"Exceeds"* or *"Meets"* is reached.

The priority of recommendations is summarized as follows:

High Priority – action is required by the municipality in the current tax year, or at the very latest within one assessment cycle. High priority recommendations apply to all standards required by legislation and many of the standards required by best practice.

Medium Priority – action should be taken by the municipality for the following tax year, but may take longer to fully implement. Medium priority recommendations may apply to standards required by best practice, and some standards classified as desirable.

Low Priority – action taken by the municipality may be implemented over a reasonable period of time. Low priority recommendations may apply to some standards required by best practice, and standards classified as desirable. Consideration may also be given to the costs and benefits to the municipality of completing a specific task to standard.

2.3 COMMUNICATION

Communication with the Assessor and Municipal Officials

Communication between the assessor and the auditor is informal and continues throughout the entire audit process. The auditor will provide the assessor with information about the tests and the findings of the audit, and the assessor is also shown a draft copy of the audit report before it is released to the municipality. The assessor has an opportunity to review the information in the report and discuss any findings or conclusions with the auditor.

Communication with municipal officials other than the assessor will occur intermittently throughout the audit process. The auditor will normally meet with the Chief Administrative Officer of the municipality at the beginning of the audit to explain the purpose of the audit, and at an exit meeting at the conclusion of the audit. Other municipal officials may be interviewed for information throughout the audit.

Note: It is a policy of the Assessment Services Branch to make a presentation of the detailed audit before the council of a municipality only if the Chief Administrative Officer or the council requests a presentation be made, or if there are recommendations of a significant nature contained in the detailed audit report.

Municipal Response

The Chief Administrative Officer and/or the assessor are asked to respond to the findings and conclusions of the detailed audit by describing, directly in the report, the actions that will be taken to address the recommendations arising from the audit. The appropriate course of action may depend on the priority of the recommendation, and the costs and benefits of completing a specific task to standard.

Release of Report

It is a policy of the Assessment Services Branch to provide a copy of the scheduled detailed audit report to the Chief Administrative Officer of the applicable municipality once the municipal response is received and the report is finalized. The Chief Administrative Officer will be advised to inform the council of the report and its contents.

It is also a policy of the Assessment Services Branch to direct any person or organization that requests a copy of the final detailed audit report to the applicable municipality for a copy of the report.

2.4 DETAILED AUDIT FOLLOW-UP

The department will normally perform a follow-up to a scheduled detailed audit in the year following the tax year for which the audit was conducted. The purpose of the detailed audit follow-up is to evaluate the progress on the actions that the municipality has made to address the recommendations.

3.0 Audit Standards and Tests

3.1 PLANNING

Planning Standards and Tests

TOPIC:	Assessors and municipal officials maintain assessment work plans that detail all required tasks, time frames and anticipated costs.

(i) A written assessment work plan exists (required by best practice)

Standard: Work plans state the objective to be accomplished and the measurement criteria, and they serve as a basis for budgeting.

Work plans can take the form of formal operational plans, in-house guidelines, or contracts. Municipalities should have determined the most appropriate manner to continually review and update the assessment base. Municipalities should have internal quality control processes to determine if the work plan is followed.

Test: The auditor will view and comment on the work plans, and if internal quality controls exist to determine whether the work plan is followed.

(ii) Assessment organisation chart (information only)

The auditor will review the organisational structure with the assessor.

(iii) The assessment costs and parcel count (information only)

Assessment service costs will vary between municipalities, depending on a number of factors, such as construction activity, property density and property complexity. The auditor will note the assessment costs that are reported annually by municipalities on the Statistical Information Return, and the total parcel count, which is reported for the annual audit program.

Planning Findings and Conclusion

Task Reviewed	• **Required** • **Desirable** • **Information**	**Findings Yes/No**	**Comments**
(i) Written assessment operational or work plan exists	Required by best practice		
(ii) Assessment organisational chart	Information		
(iii) Assessment costs and parcel count			
a. Assessment costs	Information		
b. Parcel count	Information		
Conclusion:			
Recommendations:			
Municipal Response:			

3.2 STAFFING

Staffing Standards and Tests

TOPIC:	There are sufficient, qualified staff to complete the assessments.

(i) The number of in-house and contract assessment staff (information only)

The number of in-house and contract full-time equivalent assessment staff will be recorded.

(ii) The average number of parcels per assessor (information only)

The average number of parcels per assessor will be calculated using parcel counts reported to the department. For contract assessors, the calculation will be based on the number of parcels their assessment company has under contract. The department will compare the information with similar sizes and types of municipalities in the province.

The IAAO surveys jurisdictions to determine benchmarks for the number of parcels per assessor. The benchmarks are designed to alert jurisdictions of possible staff shortages. A reasonable number of parcels per assessor are suggested because too great a workload can result in poor quality work and poor customer service.

(iii) The appointed assessor must have the qualifications required by the Qualifications of Assessor Regulation (required by legislation)

Standard: The Act requires that the appointed assessor meet the Qualifications of Assessor Regulation (AR 54/99). The municipality is required to provide this information about its assessor to the department on an annual basis.

Test: The auditor will review the information respecting the qualifications of the appointed assessor.

(iv) The position of assessor as a designated officer must be established by bylaw, and a person who has the qualifications must be appointed to the position of designated officer to carry out the duties and responsibilities of an assessor (required by legislation)

Standard: Sections 210 and 284 of the Act require that a council pass a bylaw to establish the position of assessor as a designated officer.

Once the bylaw is in place, the council by resolution or by bylaw must appoint a person to the position of assessor.

Test: The auditor will review the information to confirm that the applicable bylaw exists, and that a person has been appointed to the position of assessor.

Staffing Findings and Conclusion

Task Reviewed	• Required • Desirable • Information	Findings Yes/No	Comments
(i) Number of in-house and/or contract assessment staff	Information		
(ii) Average number of parcels per assessor	Information		
(iii) Appointed assessor has appropriate qualifications	Required by AR 54/99		
(iv) Assessor as designated officer established by bylaw, and person appointed as assessor	Required by MGA s. 210(1) and s. 284(1)(d)		
Conclusion:			
Recommendations:			
Municipal Response:			

3.3 COMPUTER ASSISTED MASS APPRAISAL (CAMA) SYSTEM

CAMA System Standards and Tests

TOPIC:	A well-designed computer assisted mass appraisal (CAMA) system is essential to mass appraisal.

(i) The assessor is expected to use a suitable CAMA system (items are required by legislation, regulations, and guidelines, or required by best practice, or desirable)

Standard: The *Property Assessment in Alberta Handbook* and various other assessment texts discuss the importance of computer systems in a mass appraisal environment. Appropriate CAMA systems help the assessor provide accurate valuations. The following items are expected in a CAMA system to comply with the ASSET system under the leglative authority of section 293(3) of the Act:

- Sales verification module, with defined sales verification and adjustment codes.
- Ability to capture the property attribute data at the time of sale.
- Ability to convert the CAMA system property attribute data, sales verification codes and adjustment codes to the department's standardized codes.
- A ratio study module or an easy-to-use link to a routine for making ratio studies that conform to the department's requirements.

The following items in a CAMA system are required by best practice:

- Support of the cost approach or the sales comparison approach or both for estimating market value.
- Ability to calculate regulated property values.
- Security measures to prevent unauthorized access or changes to data.

The following characteristics or functions are desirable in a CAMA system:

- Support of the income approach for estimating market value.
- Built-in edit checks to prevent incorrect changes.
- Storage of building sketches and photographs.
- Linkage to a Geographic Information System (GIS) module.
- A comparable property selection module.
- An appeals tracking module.
- The capability to generate both standard and ad hoc reports.
- Property records include a field for the previous year's assessment.
- Property records include a field for next year's estimated assessment.

- The ability to track development permits and building permits. (This component may be located outside of the CAMA system.)

The purpose of this section is to review the functionality of the CAMA system. The auditor will comment if the CAMA system includes a particular function that the assessor does not use. Even so, the absence of any features or functions in a CAMA system does not absolve the assessor from using appropriate procedures and practices to prepare assessments for all types of property, regardless of the property's type and location.

Test: The auditor will review the CAMA system with the assessor and note those required functions and desired functions that are not available. The auditor will also discuss with the assessor those functions that are available, but that the assessor does not use.

CAMA System Findings and Conclusion

Task Reviewed	• Required • Desirable • Information	Findings Yes/No	Comments
(i) Review of the CAMA system design			
a. Sales verification module, with defined sales verification codes and adjustment codes	Required by MGA s. 293(3)		
b. Ability to capture the property attribute data at the time of sale	Required by MGA s. 293(3)		
c. Ability to convert the CAMA system property attribute data, sales verification codes and adjustment codes to the department's standardized codes	Required by MGA s. 293(3)		
d. Ratio study module or an easy-to-use link to a routine for making ratio studies that conform to the department's requirements	Required by MGA s. 293(3)		
e. Support of the cost approach or the sales comparison approach or both for estimating market value.	Required by best practice		
f. Ability to calculate regulated property values	Required by best practice		
g. Security measures to prevent unauthorized access or changes	Required by best practice		

Task Reviewed	• Required • Desirable • Information	Findings Yes/No	Comments
h. Supports the income approach	Desirable		
i. Includes edit checks to prevent incorrect changes	Desirable		
j. Stores building sketches and photographs	Desirable		
k. Includes linkage to a GIS module	Desirable		
l. Includes a comparable selection module	Desirable		
m. Includes an appeals tracking module	Desirable		
n. Includes a standard and ad hoc reporting module	Desirable		
o. Property records include the previous year's value	Desirable		
p. Property records include the next year's estimated value	Desirable		
q. Ability to track permits	Desirable		
Conclusion:			
Recommendations:			
Municipal Response:			

3.4 DATA COLLECTION AND MAINTENANCE

Data Collection and Maintenance Standards and Tests

TOPIC:	The appropriate data is collected and maintained to value all the properties within the municipality.

(i) The assessor must be informed of all changes that occur in the assessment year to land titles, government dispositions and registered plans, and the assessor must maintain an up-to-date inventory of assessable property (required by legislation)

Standard: Section 285 of the Act requires that each municipality prepare, annually, an assessment for each property in the municipality, except for property listed in section 298. The province provides municipalities with land titles, registered plans and public land dispositions, such as grazing leases. These documents provide ownership and property characteristic information that the assessor needs in order to create and maintain a record for each assessable property. Land titles are also an important source of particular property sale and ownership information, which may be used in the valuation or to apply exemptions to property. Assessors are required to keep a file of each property that is assessable. Section 289 of the Act requires that each assessment reflect the characteristics and physical condition of the property as of December 31 of the assessment year.

Test: The auditor will randomly select recent registration changes in the assessment year (consolidation, descriptive plan, subdivision plan, strata plan, road plan, etc.) to test if the assessable property record has been changed, created or consolidated.

(ii) The municipality must use a parcel numbering system that uniquely identifies each assessable property (required by best practice)

Standard: The IAAO *Standard on Cadastral Mapping and Parcel Identifiers* indicates the importance of having unique parcel identification numbers (i.e., a distinct number for each assessable property in the municipality). Unique property identifiers, or assessment roll numbers, are required to ensure that all assessable property in the municipality is accounted for. The property identifiers may be coded in a way that identifies a property's location, or the codes may be assigned randomly.

Test: The municipality's assessment roll numbers will be reviewed to determine whether or not they are unique.

(iii) The assessor is expected to keep an up-to-date set of cadastral maps for the entire municipality, compiled according to current technical standards. The assessor should receive new plans of subdivisions (required by best practice)

Standard: The IAAO *Standard on Cadastral Mapping and Parcel Identifiers* recommends that the assessor have access to an up-to-date set of maps. Accurate maps assist the assessor to locate property and to confirm that all assessable property is valued. Cadastral maps show the boundaries of parcels and their size and location relative to other properties, and they show natural and man-made features. Cadastral maps are not plans of subdivision. All property registrations should be posted to maps annually, either by cartographic services or hand drawn by municipal staff.

Test: The auditor will discuss mapping with the assessor and comment when the assessor lacks up-to-date cadastral maps. The auditor will select recent registration changes (consolidations, descriptive plan, subdivision plan, strata plan, road plan, etc.) using land titles data and test whether the maps have been updated.

(iv) The assessor is expected to have a process for inspecting assessable properties with development permits or building permits, and for entering permit data for the applicable assessment year (required by best practice)

Standard: The *Property Assessment in Alberta Handbook* and various assessment texts discuss the importance of up-to-date information about properties in the municipality. It is required that the municipality notify the assessor, on a regular basis, of the development permits and building permits issued. It is also required that the assessor inspect properties with permits and update the property record, other than those changes that are not likely to affect the value of the property.

Test: The auditor will discuss the development permit/building permit process with the assessor to determine if all the information is received from the municipality, and whether the assessor reviews properties with recent permits to ensure that applicable changes resulting from the permits are recorded on the property record.

(v) An appropriate re-inspection plan exists (required by best practice)

Standard: A formal re-inspection plan is an essential part of a work plan. Assessors must regularly re-inspect properties because current and accurate assessment data is crucial for assessments based on market value. The re-inspection plan must address market value properties and regulated properties, and it must indicate the number of properties, percentage of

properties, or the areas of the municipality that will be inspected each year as part of the re-inspection cycle.

The IAAO recommends that every property be re-inspected once every 4 to 6 years. The best practice standard adopted for Alberta requires that market value properties be re-inspected once every 5 years. The five-year cycle strikes a balance between the need for accurate data and the cost of re-inspection programs. Some regulated properties may need to be re-inspected on a different cycle. The recommended re-inspection cycle may need to be adjusted when there are significant changes to the legislation. For oilfield properties, active areas are those where there are abundant changes of ownership, or where production activity is high.

Property Type	*Re-inspection Cycle*	
Market value	5 years	Required by best practice
Farm land	10 years 5 years	Required by best practice Desirable
Oilfield (active areas)	3 years 2 years	Required by best practice Desirable
Oilfield (normal areas)	5 years	Required by best practice
Machinery and equipment	5 years	Required by best practice

Test: The auditor will review the re-inspection plan with the assessor.

(vi) The assessor is expected to have a written definition of "inspection" (required by best practice), and interior inspections should be carried out, when possible (desirable)

Standard: For purposes of clarity, the term inspection as the assessor uses it must be defined. Acceptable types of inspections include: "drive-by, exterior only, interior, door interview, phone interview, cross-reference with multiple listing service, or property owner survey."

It is a desirable best practice to inspect the interior of a building, particularly if a property has sold, if a development or building permit has been issued, or if any upgrades to the property are suspected. Although interior inspections should be carried out when possible, it is realized that the assessor cannot get into all buildings, nor may it be feasible to do so in some municipalities. It is recommended that assessors leave callback cards or arrange times for interior inspections when property owners are available.

Test: The auditor will review the work plan with the assessor for a definition of inspection, and discuss the practices used for interior inspections.

(vii) The property records are expected to indicate when a property is inspected and the method of inspection (required by best practice), and who inspected the property (desirable)

Standard: Assessment texts discuss the importance of recording the last inspection date in order to accurately review the re-inspection plan. It is required that the last inspection date and the method (type) of inspection be recorded in the CAMA system to help review whether the re-inspection plan is being followed. It is desirable to record the assessor's name or initials.

Test: The auditor will review a sample of property records to determine whether the inspection date and inspection type is recorded in the CAMA system, and whether the name or initials of the person who inspected the property is shown in the CAMA system or on the property records.

(viii) The assessor is expected to follow the re-inspection plan cycle (required by best practice)

Standard: The assessor must inspect a sufficient number of properties each year to ensure that the re-inspection plan cycle is being followed.

Test: Using the inspection dates submitted for the detailed audit, the number and percentage of properties inspected each year will be calculated and the results will be discussed with the assessor. For example:

Number of properties in population	Total number with inspection dates in past 3 yrs	Number (%) with inspection dates in Yr 1	Number (%) with inspection dates in Yr 2	Number (%) with inspection dates in Yr 3
300	101	34 (11%)	33 (11%)	34 (11)%

Based on the example, at the current rate of inspection all the properties in the municipality will not be inspected within 5 years. The auditor will comment on whether the re-inspection plan is being followed.

(ix) Each property record is expected to contain sufficient information for mass appraisal. The information in each record must be accurate (some data elements are required by legislation; others are desirable)

Standard: The Act, the Regulation, the Guidelines and assessment texts list and discuss required data elements and the importance of accurate information. Accurate property information is needed to select the appropriate valuation standard and to produce accurate assessments. The following are required data elements:

- Legal description
- Parcel size
- Location characteristics
- Improvement(s) size
- Improvement(s) model type or classification
- Improvement(s) quality rating
- Improvement(s) structure code
- Improvement(s) effective year built
- Improvement(s) condition
- Other details of the improvement(s) affecting value
- Details for accessory improvements affecting value
- Actual use
- Land use (zoning) bylaw code
- Equipment type
- Equipment age
- Farm land net productivity factors
- Farm land cost factors

The following data elements are desirable:

- Improvement actual year built
- Sketch of each property
- Photo of each property

Test: The auditor will review a sample of properties for the required and desirable data elements to determine if any data is incorrect or missing. The auditor will review listings or sales on the Multiple Listing Service, and conduct exterior inspections as necessary. The standard will not be met if more than 15% of any data element is incorrect or missing.

(x) The assessor should maintain up-to-date data on local replacement costs (desirable)

Standard: The *Property Assessment in Alberta Handbook* and various assessment texts discuss the importance of monitoring local replacement costs to accurately apply the cost approach. It is desirable to collect current local cost data for development of local cost schedules, or for comparing local costs to the costs published in costing manuals.

Test: The auditor will review the use of local cost data with the assessor.

(xi) The assessor is expected to have a data collection manual that describes normal data collection issues, and explains and illustrates proper coding of data items (required by best practice)

Standard: Assessment texts discuss the importance of consistency in the data collection process. Consistent data collection assists in maintaining equity. Data collection manuals are required.

Test: The auditor will review the use of a data collection manual with the assessor.

Data Collection and Maintenance Findings and Conclusion

Task Reviewed	• Required • Desirable • Information	Findings Yes/No	Comments
(i) Assessable properties are assessed	Required by MGA s. 285		
(ii) Parcel numbering system			
a. Unique roll numbers	Required by best practice		
(iii) Current maps and plans	Required by best practice		
(iv) Program for inspecting properties with development permits and building permits			
a. Notification from municipality	Required by best practice		
b. Properties inspected and data updated	Required by best practice		
(v) Re-inspection plan specified	Required by best practice		
(vi) Inspections of property			
a. Inspections defined	Required by best practice		
b. Inspect interiors where possible	Desirable		
(vii) Record of property inspection			
a. Last inspection date	Required by best practice		
b. Type (e.g., drive-by, interior, exterior, etc.)	Required by best practice		

Task Reviewed	• Required • Desirable • Information	Findings Yes/No	Comments
c. Inspected by	Desirable		
(viii) Re-inspection plan cycle followed			
a. Market value – every 5 years	Required by best practice		
b. Farm land every 10 years every 5 years	Required by best practice Desirable		
c. Oilfield (active) every 3 years every 2 years	Required by best practice Desirable		
d. Oilfield (normal) – every 5 years	Required by best practice		
(ix) Sufficient and accurate property information			
a. Legal description	Required by MGA s. 293(3)		
b. Parcel size	Required by MGA s. 293(3)		
c. Location characteristics	Required by MGA s. 293(3)		
d. Improvement(s) size	Required by MGA s. 293(3)		
e. Improvement(s) model type	Required by MGA s. 293(3)		
f. Improvement(s) quality rating	Required by MGA s. 293(3)		
g. Improvement(s) structure code	Required by MGA s. 293(3)		
h. Improvement(s) effective year built	Required by MGA s. 293(3)		
i. Improvement(s) condition	Required by MGA s. 293(3)		
j. Other details affecting value	Required by MGA s. 293(3)		
k. Details of accessory improvements, if applicable	Required by MGA s. 293(3)		
l. Actual use	Required by MGA s. 293(3)		
m. Land use (zoning) bylaw code	Required by MGA s. 293(3)		
n. Equipment type	Required by AR 289/99		

Task Reviewed	• Required • Desirable • Information	Findings Yes/No	Comments
o. Equipment age	Required by AR 289/99		
p. Farm land net productivity factors	Required by AR 289/99		
q. Farm land cost factors	Required by AR 289/99		
r. Improvement year built	Desirable		
s. Sketch of each property	Desirable		
t. Photo of each property	Desirable		
(x) Up-to-date cost data	Desirable		
(xi) Data collection manual	Required by best practice		
Conclusion:			
Recommendations:			
Municipal Response:			

3.5 SALES DATA

Sales Data Standards and Tests

TOPIC:	Accurate sales verification is required to value properties. Sales verification lies at the core of all approaches to value. Sales verification is a component of determining depreciation and market modifiers, for calculating capitalization rates and gross income multipliers, and for establishing values for improvements and locational characteristics.

(i) The assessor is expected to receive land title transfers (required by best practice)

Standard: The *Property Assessment in Alberta Handbook* and the IAAO *Standard on Ratio Studies* discuss the importance of up-to-date and accurate sales information. It is expected that assessors receive all land title transfers in the municipality for possible indicators of value.

Test: The auditor will compare the assessor's recorded sales against the possible indicators of value listed at Alberta Land Titles. At least 95% of all possible value indicators must be recorded to meet this standard.

(ii) The municipality should have a written policy regarding sales verification and coding (desirable)

Standard: Written policies are desirable because they assist the assessor to consistently and accurately verify and code sales data.

Test: The auditor will review the sales verification and coding policy with the assessor.

(iii) The assessor is expected to verify sales and determine which sales may be included or excluded from the market analysis (required by best practice)

Standard: The *Property Assessment in Alberta Handbook* and the IAAO *Standard on Ratio Studies* discuss the importance of verifying and using all sales indicative of market value. Sales verification is an important step in determining whether a sale is, or requires adjustment to be, indicative of market value. Through verification, the assessor determines if the sale is arm's length and whether the buyer has received a benefit (e.g. personal property) or an obligation (e.g. tax arrears) other than the value of the real property. Sales verification can include one or more of the following methods:

- examination of land titles data,

- review of a multiple listing service, and/or
- contact with a party to the sale (vendor, purchaser, realtor).

While it is preferable to attempt to verify all sales using as many methods as possible, this will not always be cost effective. It is a requirement that assessors verify all sales with an examination of information in the document type and consideration text field on the land title. For the sales remaining after non-market indicators are eliminated through examination of land titles, assessors must attempt to verify ASR outliers and non-residential sales through a review of a multiple listing service or contact with a party to the sale (vendor, purchaser, realtor). For the purposes of this standard, sales are considered to be outliers if the ASR is less than 0.70 or greater than 1.30. Assessors are required to include or exclude sales from their analysis in accordance with the methods described in the Annual Assessment Audit and Equalized Assessment Manual.

Test: The auditor will discuss the sales verification process used by the assessor to determine if the process meets the standard. The auditor will review a sample of the sold properties to determine if the sales have been correctly included or excluded from market analysis. This standard will have been met if at least 85% of sales are appropriately included or excluded from the analysis. More weight will be placed on those stratifications where the number of incorrectly verified sales significantly affects the results of the analysis.

(iv) The assessor is expected to capture the property characteristics at the date of sale (required by best practice)

Standard: According to IAAO texts and the *Property Assessment in Alberta Handbook*, assessors are expected to confirm and record the property characteristics at the date of sale because they may be different than the property characteristics as of December 31 of the assessment year. Property characteristics can be confirmed through

- contact with a party to the sale (vendor, purchaser, realtor),
- comparisons with a multiple listing service, and/or
- a field check of the property.

Property characteristics need to be confirmed for sales that are ASR outliers, and the assessment and the sale transaction for all properties with an ASR of less than 0.70 or greater than 1.30 needs to be reviewed.

Test: The auditor will select a sample of ASR outliers included in the analysis and review the assessor's sales file to determine whether the property characteristics were confirmed and/or whether the property characteristics are correct, upon a comparison with multiple listing service data or an audit inspection.

(v) The assessor is expected to review the sales to determine if adjustments are required to the sale price for time or other factors (required by best practice). The assessor should develop criteria for sale price adjustments (desirable)

Standard: The IAAO *Standard on Ratio Studies* discusses the importance of considering adjustments, and adjusting only when the adjustment has been researched. It is essential that assessors do not adjust sales just to achieve preferred ASRs. Assessors are required to complete a time adjustment study if submitting sales from outside the accepted sales period. It is desirable that assessors review sales for other adjustments and develop sales adjustment criteria.

Test: The auditor will view the analysis and list the type and amount of analysis, and the number and amount of sale price adjustments. The auditor will comment when the number or amount of adjustments is larger than expected for the municipality type and location.

(vi) The assessor must maintain a sales file, either in electronic or paper form (required by legislation)

Standard: The IAAO *Standard on Mass Appraisal and Ratio Studies* and the *Market Value and Property Assessment in Alberta Handbook* discuss the importance of maintaining a file of sales data to effectively complete, explain and defend assessments and ratio studies. Pursuant to section 293(3) of the Act, the assessor record and report certain sales information to the Minister. Assessors must maintain a sales file, which contains, at minimum, the following data elements:

- sale price or indicator of value
- sale date
- Certificate of Title number
- sale price or indicator of value adjustments, if any
- Adjustment code (why a sale price or indicator of value was adjusted)

Test: The auditor will review a sample of sold properties. The standard will have been met if a sales file exists and the minimum information is recorded.

Sales Data Findings and Conclusion

Task Reviewed	• Required • Desirable • Information	Findings Yes/No	Comments
(i) Assessor receives all land title transfers for municipality	Required by best practice		
(ii) Written policy regarding sales verification and coding	Desirable		
(iii) Sales verification conducted by the assessor			
a. Verification of all sales by examining land title data	Required by best practice		
b. Verification of ASR outliers	Required by best practice		
c. Sales appropriately included or excluded from analysis	Required by best practice		
(iv) Property characteristics at the time of sale	Required by best practice		
(v) Sales reviewed and adjustment criteria developed			
a. Time adjustments	Required by best practice		
b. Other adjustments	Desirable		
(vi) Sales file maintained			
a. Sale Price	Required by MGA s. 293(3)		
b. Sale Date	Required by MGA s. 293(3)		
c. Sale Price Adjustments	Required by MGA s. 293(3)		
d. Sale Adjustment Code	Required by MGA s. 293(3)		
e. Certificate of Title Number	Required by MGA s. 293(3)		
Conclusion:			
Recommendations:			
Municipal Response:			

3.6 INCOME DATA

Income Data Standards and Tests

TOPIC:	The appropriate income and expense data is collected and maintained to support the valuation of income producing properties in the municipality.

The *Property Assessment in Alberta Handbook*, the IAAO *Standard on Mass Appraisal*, and the IAAO *Standard on the Three Approaches to Value* discuss the importance of collecting income and expense data. Generally, the application of the income approach is restricted to those properties that are typically rented. Properties in this group include multi-family residential, manufactured home communities, retail stores, office buildings, restaurants, hotels, motels, strip commercial properties, shopping centres, warehouses, and smaller manufacturing operations.

(i) Assessors are expected to have a program for the routine collection and analysis of income data (required by best practice)

Standard: The routine collection of income data is required to support the income approach. In a superior income data collection program, requests for information would be sent to all income producing properties on at least a three-year cycle. The assessor can gather such information through a mail survey followed up by phone calls, or through an in-person interview. Even in municipalities with few properties that typically rent, the assessor should collect and analyze income data for the income producing properties that do exist. As well, if income information is lacking in the assessor's municipality, he or she should look to other municipalities for the information.

The data should be maintained on a spreadsheet or a similar form that supports an analysis of the data. The program should be supported by reports that show the number of surveys sent, the number received, and a summary of the results.

Test: The auditor will look at the assessor's income data collection program, including samples of the data collection documents and files of the collected data. Although all applicable properties should be surveyed, it is not expected that all surveys will be responded to.

(ii) Assessors are expected to have a program for the routine collection and analysis of expense data (required by best practice/desirable)

Standard: Assessors can apply the income approach based on either gross or net income. Net income is more accurate because it recognizes variations in expenses. For example, an old retail building will have higher

maintenance expenses than a new building. To utilize net income capitalization, assessors must capture expense data along with the income data. The assessor for a city or a town is expected to routinely collect expense data as part of the income data collection program; it is a desirable practice in all other municipalities.

Test: The auditor will look at the assessor's program for collecting expense data.

(iii) Assessors are expected to develop income tables, norms, or models for income producing properties (required by best practice)

Standard: The assessor should develop income tables, norms, or models that reflect typical incomes per unit, expense ratios, and capitalization rates. These parameters or rates should recognize differences in property type, geographic area, and effective age or condition. The norms should be used to assess individual properties as opposed to automatically accepting reported figures or using unsupported estimates. In larger municipalities the tables or schedules may take the form of models (e.g., a potential gross income or capitalization rate model). The assessor should be able to show how the schedules or models were determined.

Test: The auditor will review the tables or schedules for reasonableness, and the assessor's supporting documentation.

(iv) Assessors should maintain a library of income information (desirable)

Standard: Various trade and professional groups publish summary income statistics, including rent rates, expense ratios, and capitalization rates. In addition, the local press or universities sometimes report market activity and parameters, such as rent rates for local shopping centres. These publications provide a valuable guide in developing local parameters and, in some cases, can be used as a guide when actual data are not available.

Test: The auditor will review whether the assessor maintains a library of published income information.

Income Data Findings and Conclusion

Task Reviewed	• **Required** • **Desirable** • **Information**	**Findings Yes/No**	**Comments**
(i) Collection of income data	Required by best practice		
(ii) Collection of expense data			
cities and towns	Required by best practice		
other municipalities	Desirable		
(iii) Income tables and schedules developed	Required by best practice		
(iv) Library of income information	Desirable		
Conclusion:			
Recommendations:			
Municipality's Response:			

3.7 VALUATION OF PROPERTY AT MARKET VALUE

Valuation of Property at Market Value Standards and Tests

TOPIC:	Legislation and standards of professional practice dictate the appropriate valuation methodology.

(i) The assessor should complete a market analysis and/or preliminary ratio studies (desirable)

Standard: Prior to updating values, the IAAO recommends that preliminary ratio studies and market analysis be conducted in order to determine an appropriate valuation strategy (trending, recalibrating models or calibrating new models). Since municipalities must update values annually to reflect the July 1 valuation date, it is desirable for assessors to complete this step.

Test: The auditor will review the assessor's market analysis and/or ratio studies.

(ii) The assessor is expected to properly apply the preferred valuation approach to value specific property types (required by best practice)

Standard: The *Property Assessment in Alberta Handbook*, the IAAO *Standard on Mass Appraisal*, and the IAAO *Standard on the Three Approaches to Value* specify which valuation approaches are preferred for different property types. The availability of market evidence (e.g., sales and rent data) and the property type usually determine the most appropriate approach. In a superior mass appraisal system, there will be evidence of all three approaches with an emphasis on the sales comparison and income approaches for the more common property types. All three approaches are useful in the mass appraisal of improved multi-family, commercial and industrial properties. The assessor should use as many approaches as is feasible to support the valuations.

The cost approach has the advantage of being applicable to virtually all improved properties, regardless of the availability of market and income data. However, rather than relying solely on a market-adjusted cost approach, the assessor should utilize either the income approach or the sales comparison approach (or both) in valuing relatively common properties.

The handbook recognises that, in some cases, the use of the recommended approach may not be practical due to a lack of market information, and at other times alternate approaches may be more practical to use even if market data is available. The assessor is reasonably expected to follow the valuation guidelines in the *Property Assessment in Alberta Handbook*

when sufficient market data for a property type exists in a municipality, such as a city or other larger urban centre. Even in municipalities with limited market data, the assessor can look to neighbouring or similar municipalities to gather information for supporting the sales comparison or income approaches.

The following table shows the primary valuation approach that is recommended for specific property types.

Property Type	*Recommended Approach*
Vacant property (land only)	Sales comparison approach
Single family residential	Sales comparison approach
Manufactured home communities	Income approach for communities; sales comparison approach for manufactured homes
Multi-family residential	Income approach
Strip commercial, retail properties	Income approach
Shopping centres	Income approach
Office buildings	Income approach
Hotels and Motels	Income approach
Warehouses	Income approach or sales comparison approach or cost approach
Grain elevators	Cost approach
Gas stations	Cost approach
Golf courses	Cost approach or income approach

Test: The auditor will review the approaches to value used by the assessor for the property types. If the recommended primary approach is not used, the auditor will determine whether the recommended approach has the capability of being used. The standard will be met if the recommended primary approach for the property type is used and properly applied, or if it is considered that it is not feasible or practical to currently use the recommended approach and an alternate approach is properly applied.

(iii) The assessor is expected to properly apply the primary valuation approach that is recommended in the *Property Assessment in Alberta Handbook* to value special purpose properties (required by best practice)

Standard: The *Property Assessment in Alberta Handbook* recommends the cost approach as the primary approach to value special purpose properties. The handbook also outlines the procedures that the assessor should consider to value special purpose properties.

Test: The auditor will review the valuation approach and the procedures used to value special purpose properties.

(iv) The assessor is expected to assess similar properties similarly (required by legislation)

Standard: In accordance with section 293(1) of the Act, the assessor must, in a fair and equitable manner, apply the valuation standards set out in the regulations. The assessor is required to apply the valuation model arrived at through the analysis of sales, income and cost data to all properties on a uniform basis within the municipality. Although real estate markets vary to municipality size and location, assessors are expected to value similar properties in the same manner.

Test: The auditor will review the procedures used for the assessment of sold and unsold properties. Statistical tests that compare sold and unsold properties are covered elsewhere in the Manual.

(v) The assessor is expected to apply exemptions in accordance with the Act (required by legislation)

Standard: In accordance with sections 351 and 361 to 368 of the Act, the assessor must, in a fair and equitable manner, apply exemptions to the applicable property.

Test: The auditor will review the procedures used by the assessor to apply exemptions to the applicable property.

(vi) The assessor is expected to apply exemptions in accordance with the regulations (required by legislation)

Standard: In accordance with the Regulation, and the *Community Organization Property Tax Exemption Regulation* (AR 281/98), the assessor must, in a fair and equitable manner, apply exemptions to the applicable property.

Test: The auditor will review the procedures used by the assessor to apply exemptions to the applicable property (e.g., farm buildings).

Valuation of Property at Market Value Findings and Conclusion

Task Reviewed	• Required • Desirable • Information	Findings Yes/No	Comments
(i) Preliminary ratio study completed	Desirable		
(ii) The recommended primary approach to value is used and properly applied			
a. Vacant property = Sales comparison approach	Required by best practice		
b. Single family residential = Sales comparison approach	Required by best practice		
c. Manufactured home communities = Income approach for communities; sales comparison approach for manufactured homes	Required by best practice		
d. Multi-family residential = Income approach	Required by best practice		
e. Strip commercial, retail = Income approach	Required by best practice		
f. Shopping centres = Income approach	Required by best practice		
g. Office buildings = Income approach	Required by best practice		
h. Hotels and Motels = Income approach	Required by best practice		
i. Warehouses = Income approach or cost approach or sales comparison approach	Required by best practice		
j. Grain elevators = Cost approach	Required by best practice		
k. Gas stations = Cost approach	Required by best practice		
l. Golf courses = Cost approach or income approach	Required by best practice		
(iii) Appropriate valuation procedures for special purpose property	Required by best practice		
(iv) Similar property assessed similarly	Required by MGA s. 293		

Task Reviewed	• Required • Desirable • Information	Findings Yes/No	Comments
(v) Application of exemptions pursuant to the MGA	Required by MGA s. 351, and s. 361 to s. 368		
(vi) Application of exemptions pursuant to the regulations			
a. Rural residences and farm buildings	Required by AR 289/99		
b. Community organization property	Required by AR 281/98		
Conclusion:			
Recommendations:			
Municipality's Response:			

3.8 VALUATION OF REGULATED PROPERTY

Valuation of Regulated Property Standards and Tests

TOPIC:	The assessor shall have regard to the proper application of the Minister's Guidelines in the preparation of assessments of regulated property.

(i) The municipality's assessor must use the applicable Minister's Guidelines to prepare assessments for regulated property (required by legislation)

Standard: Section 293 of the Act and the Regulation require that the assessor prepare assessments for regulated property following the procedures described in the Consolidation of Minister's Guidelines Regarding the Assessment of Farm Land, Linear Property, Machinery and Equipment, and Railway.

Test: The auditor will review the procedures used by the municipality's assessor to prepare assessments for regulated property to determine if the applicable Minister's Guidelines have been followed.

The auditor will select a sample of regulated properties in the municipality and review the properties for data collection and calculation accuracy. The auditor may complete a valuation of a sample of regulated properties using the applicable Minister's Guidelines, and compare the results with the assessment on the assessment roll.

Valuation of Regulated Property Findings and Conclusion

Task Reviewed	• Required • Desirable • Information	Findings Yes/No	Comments
(i) Applicable Minister's Guidelines are applied properly and consistently			
Farm land	Required by MGA s. 293 and AR 289/99		
Machinery and Equipment	Required by MGA s. 293 and AR 289/99		
Railway	Required by MGA s. 293 and AR 289/99		
Conclusion:			
Recommendations:			
Municipal response :			

3.9 INTERNAL QUALITY CONTROL

Internal Quality Control Standards and Tests

TOPIC:	Internal quality controls improve the accuracy of assessments.

(i) The assessor must complete ratio studies as a part of the quality control process (required by best practice)

Standard: In order to determine if the assessment meets quality standards, assessors are expected to prepare a ratio study. It is recommended that front-line assessors prepare the ratio studies because they are usually most familiar with local market information, and are the persons who will likely defend or explain assessments to taxpayers.

Test: The auditor will review the ratio studies with the assessor.

(ii) After calculating the assessed values, the assessor is expected to review the final value estimates (required by best practice)

Standard: The IAAO *Property Appraisal and Assessment* textbook recommends that the final value for all property be reviewed. The assessor is required to complete some or all of the following reviews:

- field checks of all properties, or a representative sample of the properties in the municipality;
- office or field review of unusual, low-value, or high-value properties;
- use of maps and photos instead of field checks;
- review of unusual value changes upon comparison of current and previous year's assessments;
- review of comparable sale selection reports.

Test: The auditor will discuss with the assessor the process used to review final values of property.

(iii) The assessor is expected to create a re-assessment report (required by best practice)

Standard: The *Property Assessment in Alberta Handbook* recommends the use of a re-assessment report. This report includes a synopsis of the analysis used by property type, a description of the quality control procedures, and a summary of the quality of the current assessment roll. Summary information regarding comparable properties may also be included.

Test: The auditor will review the re-assessment report with the assessor.

Internal Quality Control Findings and Conclusion

Task Reviewed	• Required • Desirable • Information	Findings Yes/No	Comments
(i) Assessor completes ratio study	Required by best practice		
(ii) Assessor reviews final value estimates	Required by best practice		
(iii) Assessor creates a re-assessment report	Required by best practice		
Conclusion:			
Recommendations:			
Municipal Response:			

3.10 ASSESSMENT ROLL PREPARATION AND COMMUNICATION

Assessment Roll Preparation and Communication Standards and Tests

TOPIC:	The municipality must prepare an assessment roll in accordance with the Act. Municipalities, property owners and the department must receive timely and complete assessment information.

(i) The municipality must prepare an assessment roll annually (required by legislation)

Standard: Section 302 of the Act requires municipalities to prepare an assessment roll by February 28 each year. Section 303 of the Act describes the contents of the assessment roll.

Test: The auditor will note the date that the assessment roll was prepared, and review the contents of the roll.

(ii) The municipality and the assessor must report information to the department (required by legislation)

Standard: Sections 293(3) and 319 of the Act require the municipality and its assessor to provide information to the department annually.

Test: The auditor will review the dates by which information was submitted to the department.

(iii) Assessment notices must contain all of the required information (required by legislation)

Standard: Section 309 of the Act describes the information that municipalities must put on the assessment notice.

Test: The auditor will review a copy of the assessment notice for compliance with the legislation.

(iv) The assessment notice package should include a phone number to contact for more information, a general explanation about assessment, details of an open house, if any, and information regarding complaints to the Assessment Review Board (required by best practice)

Standard: The *Property Assessment in Alberta Handbook* and the IAAO *Standard on Public Relations* discuss the importance of sending timely and complete information to property owners. Good communication practices save time

and money. It is a best practice for municipalities to provide this information with the assessment notices.

Test: The auditor will review the contents of the assessment notice package with the Chief Administrative Officer or the assessor.

(v) In conjunction with the mailing of the assessment notices, the assessor should set specified hours to meet with property owners about their notice, including after normal business hours for a period of time (desirable)

Standard: The *Property Assessment in Alberta Handbook* and the IAAO *Standard on Public Relations* discuss the importance of meeting with property owners. Being available to meet with property owners when the assessment notices are sent may reduce the number of complaints filed with the Assessment Review Board. A scheduled session to meet with property owners after normal business hours is sometimes referred to as an open house.

Test: The auditor will discuss with the Chief Administrative Officer or the assessor the availability of the assessor to meet with taxpayers.

(vi) The assessor is expected to communicate with property owners and municipal officials in a timely manner throughout the year (required by best practice)

Standard: The *Property Assessment in Alberta Handbook* and the IAAO *Standard on Public Relations* describe the importance of discussing assessment issues with stakeholders. The assessor should return unanswered phone calls in a timely manner.

Test: The auditor will discuss public relations and customer service with the assessor and the Chief Administrative Officer.

(vii) The municipality must provide assessed persons with access to assessment information (required by legislation)

Standard: Sections 299 and 300 of the Act describe the responsibility of the municipality to provide an assessed person sufficient access to the assessment record and to a summary of assessment information.

Test: The auditor will review the typical information shown to or received by assessed persons. The auditor will comment if the information provided to an assessed person is deemed to be insufficient to show how the assessment for the applicable property is prepared, or if access to a summary of assessments is not provided.

Assessment Roll Preparation and Communication Findings and Conclusion

Task Reviewed	• Required • Desirable • Information	Findings Yes/No	Comments
(i) Assessment roll prepared in accordance with legislation			
a. Assessment roll is prepared by February 28	Required by MGA s. 302		
b. Assessment roll contains the required contents	Required by MGA s. 303		
(ii) Information submitted to the department	Required by MGA s. 293(3) and s. 319		
(iii) Assessment notices meet legislated requirements	Required by MGA s. 309		
(iv) Assessment notice package includes sufficient information			
a. Contact phone number	Required by best practice		
b. General information about assessment	Required by best practice		
c. Information regarding complaints	Required by best practice		
(v) Assessor available to meet with property owners, once notices are mailed	Desirable		
(vi) Timely communication	Required by best practice		
(vii) Sufficient information provided to assessed persons	Required by MGA s. 299		
Conclusion:			
Recommendations:			
Municipal Response:			

3.11 ASSESSMENT COMPLAINTS AND AMENDMENTS

Assessment Complaints and Amendments Standards and Tests

TOPIC:	The assessor amends assessments as a result of an appeal or when informed of factual errors.

(i) The Act provides the means for an assessed person to make a complaint. Hearings are scheduled with the Assessment Review Board and Municipal Government Board as required (information only)

The auditor will discuss with the assessor the number of complaints that were filed and determine if the number of appeals are comparable to that of similar municipalities.

(ii) Section 305 of the Act provides the means for the assessor to amend the assessment roll for the current tax year if he or she is informed of factual errors (information only)

The auditor will discuss with the assessor the number of assessment roll amendments, and the reasons for the amendments.

Assessment Complaints and Amendments Findings and Conclusion

Task Reviewed	• Required • Desirable • Information	Findings Yes/No	Comments
(i) Assessment complaints			
a. Number of ARB complaints	Information		
b. Number of MGB complaints	Information		
c. Number of complaints comparable to similar municipalities	Information		
(ii) Number of assessment roll amendments.	Information		
Conclusion:			
Recommendations:			
Municipal Response:			

3.12 MARKET VALUE PROPERTY RATIO STUDIES

Market Value Property Ratio Studies Standards and Tests

TOPIC:	Ratio studies for the annual audit and the detailed audit should be developed with two criteria in mind: 1) that there are sufficient sales to draw a reliable conclusion, and 2) that the stratification allows the sales to be representative of the population. Assessments must meet regulated quality standards. Reliability of ratio study results depend on both sold and unsold properties being assessed in the same manner.

(i) The assessor must properly stratify property within the municipality so that ratio studies are meaningful (required by regulation)

Standard: The Regulation requires that property be stratified, at minimum, into two groups: residential properties and non-residential properties. The Annual Assessment Audit and Equalized Assessment Manual sets out guidelines for further stratification of properties into market areas, by geographic and property type strata. The IAAO *Standard on Ratio Studies* discusses the importance of sales being representative of the strata.

Test: The total number of market areas, and the number of sales or indicators of value in each market area will be reviewed. The auditor will note whether any market areas have insufficient sales to draw a reliable conclusion, or where sales are not representative of the population. Either condition may limit the accuracy of the results and the auditor will note when the tests are inconclusive. At the discretion of the auditor, market areas may be re-stratified, or additional sales and indicators of value may be included in a ratio study for audit purposes.

(ii) For ratio study results to be reliable, the assessor must equitably assess similar sold and unsold properties (required by legislation)

Standard: The IAAO recommends that tests be performed to review equity between sold and unsold properties. In some municipalities the analysis of equity for non-residential property may be impaired due to a lack of data.

Test: The standard will not be met if any of the following tests indicate a presence of selective re-assessment. A tolerance limit of +/- 5% is allowed.

- Compare the changes from the previous assessment roll to the current assessment roll for sold properties and unsold properties.
- Complete a ratio study using sales that occurred outside the assessor's sales period. This comparison method is appropriate where sufficient sales exist to draw a reliable conclusion.

- Calculate and compare unit values (e.g., assessment per square metre) of similar sold and unsold properties.
- Compare the coefficient of dispersion (COD) for the same strata over several years.

If any of the tests indicate the presence of selective reassessment, the auditor will conduct a ratio study using:

- Sales outside of the standard sales period. This method is applicable if there are sufficient sales and the auditor has analyzed the data for the necessary sales adjustments.
- Estimates of market value. The estimated market value for a sample group of properties is calculated using market information. The estimates of value are then used to calculate the assessment level. For example, market information may indicate that small bungalows typically sell for $100 per square metre plus $3000 for a garage.

The auditor will determine whether annual audit statistics are significantly different without the influence of selective reassessment.

(iii) The assessor must meet median assessment ratio and uniformity standards for any stratum (required by regulation)

Standard: The Regulation requires that assessments meet the median assessment ratio and uniformity standards for any stratum.

Test: The auditor will stratify improved properties by property category and market area. Additionally, the auditor may choose to stratify properties by model and quality, structure, age, building size, etc. Vacant properties will be stratified according to parcel size and market area.

Market Value Property Ratio Studies Findings and Conclusion

Task Reviewed	Findings Yes/No	Comments
(i) Proper stratification (required by AR 289/99)		
(ii) Equity between similar sold and unsold properties (required by MGA s. 293)		
(iii) Assessment ratio and uniformity quality standards (required by AR 289/99)	Comments	
Vacant residential:		
Stratified by category		
Stratified by market area		
Stratified by parcel size		
Improved residential:		
Stratified by market area		
Stratified by model and quality		
Stratified by effective age		
Stratified by building size		
Stratified by (other criteria selected by the auditor)		
Vacant non- residential:		
Stratified by category		
Stratified by market area		
Stratified by parcel size		
Improved non-residential		
Stratified by market area		
Stratified by model/quality		
Stratified by effective age		
Stratified by building size		
Stratified by (other criteria selected by the auditor)		
Conclusion:		
Recommendations:		
Municipal Response:		